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EP/CO/T

CERTIFIED MAIL

Dear Sirs:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The information submitted indicates that your organization was incorporated under the laws of the State of [REDACTED] or [REDACTED].

The stated purposes of your organization are: (a) to insure the availability of and to contract on behalf of its members for neighborhood security services, including the community in which its residents reside, and the people and property therein; (b) to collect from its members on a quarterly or more frequent basis such sums as are necessary to pay for such services, as well as for related services provided by the Corporation in collecting fees from its members, securing necessary insurance, if any, and to pay annual fees required in order to comply with all governmental requirements related to the continued existence of this Corporation; (c) to promote safeguards amongst the Corporation's members to advance the protection of their persons and property; (d) to stimulate and foster interest in the community residents regarding the various ways to safeguard their persons and property; (e) to perform any and all acts incidental to carrying out the foregoing purposes.

You are a membership organization. Members are considered the occupants of homes located in the [REDACTED] area of [REDACTED] County [REDACTED]. This geographic area includes [REDACTED] Road and all cross streets between [REDACTED] Avenue and [REDACTED] (but not including the school). There are 75 residences in this area, 32 of these are members of your organization.

Your income is derived exclusively from weekly membership fees of [REDACTED] per family. Your expenses are for security services provided by [REDACTED]. Your other expenses include insurance and printing costs.

Code	Initiator	Reviewer	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed
			EP/CO/T					
Surname	[REDACTED]	[REDACTED]	[REDACTED]					
Date	2-22-66	2/28/66	3-7-66					

By the terms of your contract with [REDACTED], [REDACTED] will provide a marked patrol car from 10:00 P.M. to 6:00 am seven days a week, for continuous patrol of the entire community. Upon request, [REDACTED] will also travel private driveways. Arrington will provide escort services to residents upon request, will respond to burglar or fire alarms within residences, will provide vacant home checks, will do investigative reports on employees proposed to be hired by residents, and will provide signage indicating that the area is patrolled. Individual homes will be provided with signs indicating they are members of a residential security group.

Section 501(c)(4) of the Code provides for the recognition of civic leagues, social welfare organizations, or other organizations, not organized for profit, but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Federal Income Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated for the purpose of bringing about civic betterments and social improvements.

In Revenue Ruling 75-386, 1975-2 C.B. 211, a nonprofit organization that carried on activities in the general areas of public safety and crime prevention, housing and community development, recreation and community services was held exempt under IRC 501(c)(4). Membership in the organization was open to any interested person or business enterprise in the community and the benefits of its activities to both members and non-members were on equal terms. The holding of this Revenue Ruling was based on the conclusion that by carrying on its activities, including the contracting for security patrols designed to increase public safety and reduce crime in the community, the organization was promoting the common good and general welfare of the people of the community.

Revenue Ruling 77-273, 1977-2, C.B. 194 shows a nonprofit organization that provided security services for residents and property owners of a particular community, who agreed to voluntarily donate money at a specific hourly rate to defray the cost of the services, was held not exempt under 501(c)(4). By providing private security services on a regular basis in return for certain compensation, the organization was deemed to be carrying on a business with the general public in a manner similar to organizations operated for profit.

Your Community patrol and escort services are available to members and non-members alike. Members of your organization receive additional services not available to the community at large. You are similar to the organization shown in Revenue Ruling 77-273, 1977-2 C.B. 194, therefore you are not operated exclusively for the promotion of social welfare, but are providing benefits to a small group of citizens who are able to pay for these benefits.

Therefore, you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(4) of the Code.

In accordance with this determination, you are required to file Form 1120 for Federal income tax purposes.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office conference staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office, or if you request, at any mutually convenient District Office. If we do not hear from you within 30 days from the date of this letter this determination will become final.

Sincerely yours,

District Director

Enclosures: Publication 892